

Message Text

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70

ACTION EA-06

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FM AMEMBASSY VIENTIANE
TO SECSTATE WASHDC 2866
INFO AMEMBASSY BANGKOK
AMEMBASSY MANILA
AMEMBASSY PARIS
CINCPAC

C O N F I D E N T I A L VIENTIANE 1751

LIMDIS

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EAID, EMIN, PFOR, LA
SUBJECT: CONVERSATION WITH PRIME MINISTER SOUVANNA PHOUA

1. AID DIRECTOR MANN AND I MET WITH THE PRIME MINISTER THIS MORNING TO MAKE SURE HE WAS WELL BRIEFED ON ECONOMIC QUESTIONS WHICH ARE EXPECTED TO ARISE AT THIS AFTERNOON'S CABINET MEETING.

2. PUBLIC WORKS EQUIPMENT. THE PRIME MINISTER OPENED THE CONVERSATION BY STATING HE HAD BEEN DELIGHTED TO LEARN OF THE TURN OVER OF USAID WORKSHOPS AND PUBLIC WORKS EQUIPMENT TO THE LAO MINISTRY OF PUBLIC WORKS LAST WEEK. HE SAID THAT WITH THE AMOUNT OF EQUIPMENT NOW AVAILABLE TO THE GOVERNMENT, HE HOPED TO ARRANGE FOR SOME OF IT TO BE USED TO EXAPND PADDY LAND IN THE VIENTIANE PLAIN. IN THIS CONNECTION, HE SAID HE WAS HOPEFUL THAT THE NAM NGUM II PROJECT WOULD PERMIT THE CONSTRUCTION OF A MAJOR IRRIGATION CANAL FROM NAM NGUM TO THE PLAIN.

3. POTASH. WE DREW THE PRIME MINISTER'S ATTENTION TO THE REPORT WE HAVE RECEIVED FROM THE U.S. GEOLOGIC SURVEY STATING THAT THE

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POTASH SAMPLES, TAKEN ON THE OUTSKIRTS OF VIENTIANE SHOW IT

IS ONE OF THE RICHEST IN THE WORLD AND THAT WE WERE PROCEEDING TO ESTABLISH THE SIZE OF THE DEPOSIT. THE PRIME MINISTER WAS DELIGHTED WITH THIS NEWS AND SAID HE HOPED IT COULD BE DEVELOPED IN A MANNER WHICH WOULD PROVIDE FERTILIZER FOR LAOS AS WELL AS FOR THE EXPORT MARKET.

3. 50 MILLION KIP SUBSIDY. REFERRING TO MY RECENT DISCUSSIONS WITH FONMIN PHOUMI AND SOVIET AMBASSADOR VDOVINE, I RAISED THE SUBJECT OF THE 50 MILLION KIP MONTHLY SUBSIDY OF THE PATHET LAO TO WHICH THE VIENTIANE SIDE IS OBJECTING. THE PRIME MINISTER'S COMMENTS ON THIS SUBJECT WERE RATHER UNCLEAR BUT IT SEEMED TO MANN AND ME THAT HE WISHED TO HAVE PROPER ACCOUNTING PRACTICES ESTABLISHED FOR THIS SUM. COMMENT: THIS SHOULD REDUCE THE SUSPICION AND MISGIVINGS OF THE VIENTIANE SIDE.

4. ECONOMIC CONDITIONS. MR. MANN MADE A FEW BRIEF COMMENTS ON THE PARLOUS ECONOMIC PLIGHT OF LAOS TO WHICH THE PRIME MINISTER ANSWERED THAT HE EXPECTED THE COMMODITIES RECEIVED FROM SOCIALIST COUNTRIES TO BE PUT ON PUBLIC SALE IN THE NEAR FUTURE, THUS INCREASING GOVERNMENT REVENUES TO A SIGNIFICANT DEGREE. HE SAID THAT EXISTING WAREHOUSE SPACE WAS STRETCHED TO THE LIMIT AND THAT HE HAD ASKED THE OTHER SOCIALIST DONOR COUNTRIES TO POSTPONE SHIPMENTS UNTIL THE MATERIALS CURRENTLY BEING RECEIVED FROM NORTH VIETNAM HAVE BEEN DISPOSED OF.

5. EXCHANGE RATE. MR. MANN TOLD THE PRIME MINISTER THAT THE PRESENT EXCHANGE RATE WAS TOTALLY UNREALISTIC AND THAT HE HAD BEEN HOLDING DISCUSSIONS WITH THE GOVERNMENT WITH REGARD TO REVISION OF THE EXISTING RATES. THE PRIME MINISTER SAID HE WAS DEEPLY CONCERNED BY THIS PROBLEM AND EXPECTED IT TO BE DISCUSSED AT THE CABINET MEETING TODAY. HE SAID THAT THE MULTIPLE RATE SYSTEM SHOULD BE ABOLISHED AND A SINGLE RATE OF 1,100 OR 1,200 KIP TO THE DOLLAR WOULD BE REASONABLE.

6. COMMENT: THE MOVE FROM LUANG PRABANG TO VIENTIANE DOES NOT APPEAR TO HAVE AFFECTED THE PRIME MINISTER'S HEALTH IN ANY WAY AND HIS MANNER TODAY, AS WELL AS AT A DINNER AT MY HOUSE LAST WEEK, GIVES ME CONFIDENCE THAT HE IS MAINTAINING A RELATIVELY HIGH DEGREE OF AWARENESS OF SIGNIFICANT DEVELOPMENTS IN THIS COUNTRY. HIS WILLINGNESS TO ESTABLISH A SINGLE REALISTIC EXCHANGE

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RATE IS A MOST WELCOME DEVELOPMENT AS HE HAS HERETOFORE BEEN STUBBORNLY OPPOSED TO DEVALUATION.
WHITEHOUSE

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NNN

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